

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Carlos Esteban Posada](#) [Daniel Mejía](#)

This paper develops a political economy model that provides an explanation as for why ruling Elites in oligarquic societies may rely on income redistribution to the poor (the masses) in order to prevent them from attempting a revolution. We refer to this kind of redistribution as populist redistribution because, first it does not increase the poor's productive capacity (human capital), and second it seeks to "buy" political support (peace) to perpetuate the elite's control of political power. We examine the conditions under which ruling elites choose to deter the poor (by means of military repression and/or populist redistribution), to engage in a dispute with the poor for the control of political power, or, alternatively, to

---

extend democracy. According to the results of the model populist redistribution (or military repression), if any, increases with initial wealth inequality and with the amount of redistribution that the poor can undertake under democracy, and decreases with the relative importance of a human capital externality in production. The model explains why in some cases the use of an apparently inefficient policy of populist redistribution turns out to be optimal for both groups (the ruling elite and the poor class) when the alternative is to use of military repression or default to conflict.

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.